



P. O. Box 937 • 333 E. Barioni Blvd. • Imperial, CA 92251 • www.iid.com

October 13, 2004

John L. Geesman
Presiding Member,
Integrated Energy Policy Committee
California Energy Commission
1516 S. 9th St.
Sacramento, CA 98514-5504

Dear Mr. Geesman:

Subject: Docket # 003-IEP-01, 02-REN-1038, 03-RPS-1078 and 04-DIST-GEN-1

Imperial Irrigation District's Energy Division (IID Energy) is a vertically integrated, consumer-owned energy service utility with customers in Imperial and Southern Riverside Counties, which operates as a control area. Throughout its history, IID Energy has provided reliable, low cost energy to its residential, commercial and industrial customers. At the same time, it has willingly shouldered its responsibilities to assist neighboring utilities and, during the recent California Energy Crisis, to the entire State with energy and transmission capacity when requested to do so.

Additionally, most, if not all, of Public Power entities in California have committed themselves to a renewable program. The implementation of these programs takes into account their own circumstances and individual utility objectives as decided by their local governing bodies. In particular, IID Energy's elected Board of Directors has voluntarily adopted a set of Renewable Energy Portfolio Standards which, subject to availability of Public Benefit Funds, exceed those statutorily imposed on California's investor-owned utilities, and has in place a contract to purchase geothermal energy which will represent in excess of 21% percent of its energy requirements during the first year of the geothermal facilities' commercial operation.

With this background, IID Energy is pleased to comment on the draft report for 2004, presented by Commission's Integrated Energy Policy Report Committee. We respectfully disagree with those portions of the Report, which project responsibility for California's energy infrastructure problems onto other control areas interconnected with the California Independent System Operator (CAISO).

We disagree with the Report's suggestion that the State's consumer-owned utilities, including those that operate their own control areas, are not stepping up to the plate with commitments to utilize and support development of renewable resources. As noted, IID Energy has a power purchase contract in place for a significant quantity of base load green energy, and we are informed that the other publicly owned utilities are committed to similar goals. Regarding the assertion on page 40 of the Draft Report that our contract fails to convey Renewable Energy Certificates (RECs), it seems that the Committee may not have current information. On September 21, 2004, IID's Board approved an amended and restated power sales agreement with a geothermal developer, which specifically confers rights to RECs for its full term.

With respect to transmission seams concerns, IID Energy, LADWP, and SMUD have been working with CAISO to address transmission congestion issues. These discussions have gone forward, with encouragement from the Governor's Deputy Energy Secretary, under the acronym CANDO (Control Area Network Discussion Organization). The CANDO participants have identified the fact that available transmission capability (from the publicly controlled control areas) will relieve transmission congestion concerns with CAISO's utilization of westTTrans common OASIS. The CAISO has committed to implement participation in this new and widely accepted tool in early 2005. With this tool in place, CAISO will be able to access energy reserves from independent power producers or publicly controlled control areas, using available transmission capability from westTTrans transmission participants. CANDO is also working to develop a cooperative approach to other planning and operational issues.

The Committee Draft Report alleges "Transmission bottlenecks typically occur at the seams between the CA ISO control area and those of the three publicly-controlled control areas (SMUD, LADWP and IID)." and that "transmission systems of SCE and LADWP are only weakly interconnected at two locations." From IID Energy's perspective, CAISO's congestion at Imperial Valley Substation was a direct result of a lack of an integrated resource plan. However IID Energy could help relief CAISO congestion with incremental mitigating measures. IID Energy has engaged the CAISO in discussions to address these issues and has suggested mitigating solutions, which could be "quickly" implemented. These mitigation measures, at least in the IID Energy's case, would require upgrades to IID's transmission system. Unfortunately, the CAISO has no process to compel multiple Participating Transmission Owners (PTOs) to make financial contributions for upgrades to another control area system, except for direct system impacts to another control area from a PTO approved project.

By way of example, the current solution for congestion relief at the Imperial Valley Substation (IV Sub), caused by import of energy from US/Mexico border generation, is the installation of a 300 MW phase shifter. This proposal is sponsored by one of the CAISO's PTOs (SDG&E). IID believes the 300 MW phase shifter will provide marginal benefit to the other PTO (SCE) affected by the congestion at IV Sub (SCE is located at the other end of IID's transmission system). IID's proposed solution contemplates incremental upgrading of certain transmission facilities in IID's control area along with increasing the size of the currently proposed phase shifter from 300 MW to 450 MW. This would provide some immediate and incremental benefit from current IV Sub congestion to both SDG&E and SCE as upgrades are implemented. CAISO needs to initiate a mechanism to fund IID's transmission upgrades. The CAISO seems unable to

compel contributions from **both** affected PTOs (SDG&E and SCE), to address congestion issues. The resulting congestion charges, which are borne by the PTO ratepayers, remain in place.

With respect to reliability concerns, in particular emergency assistance issues, IID has engaged in discussions with the CAISO regarding implementing agreements similar to those in place between SMUD and LADWP with the CAISO.

Through the CANDO efforts, participants have identified two distinct planning approaches. Public Power has an established resource planning practice. This is an integrated resource process which addresses generation and transmission issues together. This practice has been historically successful in achieving Public Power's resource adequacy. The CAISO, on the other hand, is without a total integrated resource planning process, because it has no control over the location of IPP projects. The result of this type of planning has a huge potential for congestion, since the CAISO must accept all schedules. It is our view that this disparity of approaches should be resolved.

Finally, it is the position of Imperial Irrigation District, and its energy division in particular, that Public Power's concept, not only assures local flexibility and decision-making authority, but it is also time-tested, and allows Public Power entities the opportunity to: a) meet the overall state goals for renewables, and b) facilitate ISO/Publics control areas co-existence by identifying mutual planning and operation imperatives.

Sincerely,

Frank Barbera
Assistant Manager,
Business and Regulatory Strategy
IID Energy, Business Enterprise Section

Copy to: Mr. Glenn Steiger, IID
Mr. Orlando Foote, Legal
Mr. Ken Saline, KR Saline & Assoc.